

Q1 2017



City of Rosemead Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2017)

Rosemead In Brief

Receipts from Rosemead's January through March sales were 13.5% higher than the same quarter one year ago. Actual sales activity increased 8.5% after accounting aberrations were factored out.

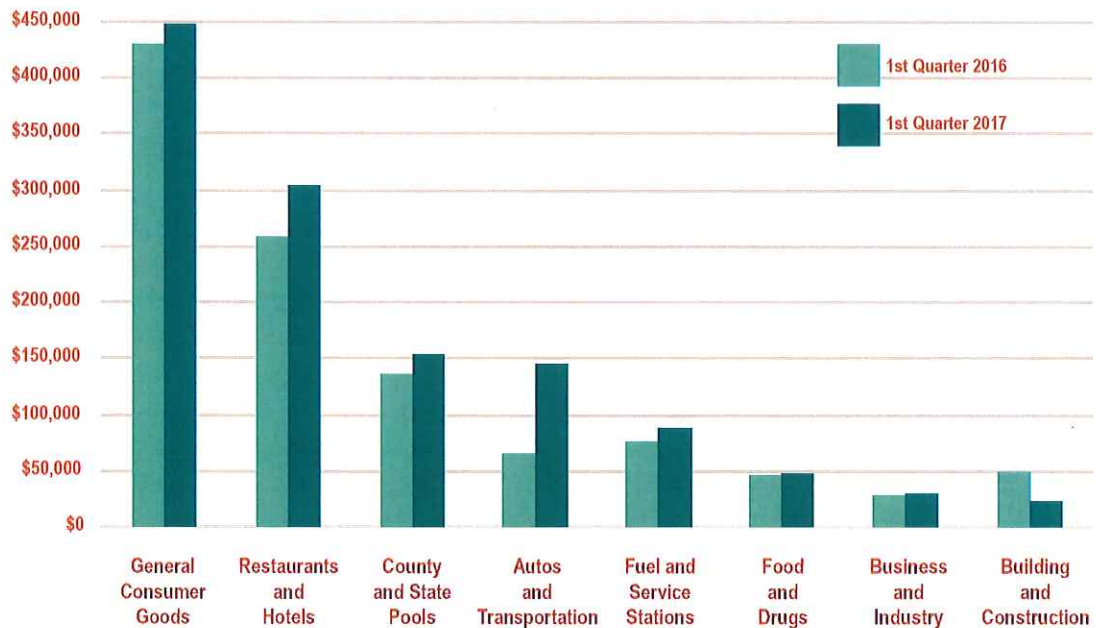
Two used car dealership openings and a large missing/late payment in the year-ago period inflated current period autos-transportation results and were a significant factor in the overall quarterly increase.

New casual dining eatery openings and net higher sales boosted all restaurant categories. General consumer goods were up 4.2% with stellar returns from specialty stores. A larger allocation from the county-wide used tax pool was also a factor.

The gains were partially offset by a business closure and negative payment adjustments which dropped building-construction revenues.

Net of aberrations, taxable sales for all of Los Angeles County grew 2.1% over the comparable time period, while the Southern California region was up 2.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

888 Seafood	Panda Express
AutoZone	Rosemead Mobil
Boiling Crab	Sam Woo Chinese BBQ
CH Auto	Sea Harbour Seafood
Circle K	Shell
East Gourmet Seafood	Spa Nails Supply
H J Auto Group	T Mobile
In N Out Burgers	Target
JB Pipe & Supply	TGI Fridays
Kami Buffet & Grill	Ulta Beauty
Macys	USA Gasoline
McDonalds	Walmart
Olive Garden	Supercenter

REVENUE COMPARISON

Four Quarters - Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$4,151,366	\$4,648,553
County Pool	555,559	662,091
State Pool	2,898	3,631
Gross Receipts	\$4,709,822	\$5,314,275
Less Triple Flip*	\$(904,270)	\$0

*Reimbursed from county compensation fund

Statewide Results

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

New Sales Tax Organization

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

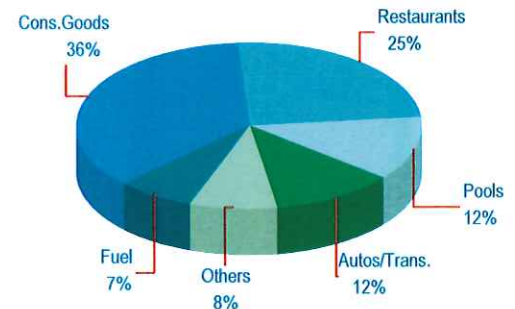
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Rosemead This Quarter



ROSEMEAD TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Rosemead Q1 '17*	Rosemead Change	County Change	HdL State Change
Auto Repair Shops	25.5	12.2%	3.8%	5.1%
Automotive Supply Stores	22.3	1.2%	-0.3%	0.0%
Casual Dining	161.0	36.0%	0.8%	0.5%
Convenience Stores/Liquor	12.5	-7.9%	1.5%	3.7%
Department Stores	—	CONFIDENTIAL	-4.1%	-6.5%
Discount Dept Stores	—	CONFIDENTIAL	2.5%	1.6%
Drug Stores	17.3	-6.8%	-1.5%	-2.5%
Electronics/Appliance Stores	19.5	-16.7%	0.1%	-0.3%
Fast-Casual Restaurants	20.8	5.2%	11.9%	9.1%
Grocery Stores	15.7	23.2%	1.2%	0.5%
Home Furnishings	11.7	19.6%	-0.3%	-1.9%
Quick-Service Restaurants	117.0	-0.1%	4.9%	4.6%
Service Stations	88.1	16.5%	6.8%	10.0%
Specialty Stores	42.9	74.6%	2.1%	0.4%
Used Automotive Dealers	94.4	409.2%	3.5%	1.9%
Total All Accounts	1,086.2	13.5%	2.6%	1.8%
County & State Pool Allocation	154.0	13.5%	2.6%	2.9%
Gross Receipts	1,240.1	13.5%	2.6%	1.9%